

Message Text

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ACTION PM-05

INFO OCT-01 EA-10 ISO-00 AID-05 ACDA-12 OMB-01 TRSE-00

CIAE-00 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01

SP-02 SS-15 ICA-11 MCE-00 /082 W

-----096517 151023Z /10

P R 150940Z AUG 78

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC PRIORITY 7795

INFO SECDEF WASHDC

C O N F I D E N T I A L KUALA LUMPUR 8980

E.O. 11652: GDS

TAGS: MASS, JO, MO, TW, PN, MY

SUBJ: REALLOCATION OF FY 1978 FINANCING

REF : A) STATE 204484 (NOTAL), B) STATE 201542 DTG 092114Z

AUG 78, C) KUALA LUMPUR 8568 (NOTAL), D) KUALA LUMPUR 5386

DTG 080840Z JUN 78

1. POL CHIEF CALLED ON MFA PRINCIPAL ASSISTANT SECRETARY FOR EUROPE AND AMERICAS YOOGALINGAM AND HIS DEPUTY AUGUST 14 TO DELIVE THIRD PERSON NOTE REGARDING REDUCTION OF FY-78 FMS FINANCING LEVEL FOR MALAYSIA FROM US\$20 MILLION TO US\$16.5 MILLION. DRAWING ON TALKING POINTS PER REF A, EMBOFF NOTED THAT THIS IMMEDIATE AND PREVIOUSLY UNFORESEEN NEED IN SUPPORT OF STABILITY IN THE HORN OF AFRICA COULD ONLY BE MET BY REPROGRAMMING FUNDS ORIGINALLY DESIGNATED FOR A NUMBER OF COUNTRIES, INCLUDING MALAYSIA. THAT HAD NOT RPT NOT YET SIGNED LOA'S FOR FY-78 FMS CREDITS. POINT WAS EMPHASIZED THAT THIS REALLOCATION INVOLVED A NUMBER OF COUNTRIES IN AFRICA, THE MIDDLE EAST AND LATIN AMERICA AS WELL AS ASIA; THAT LIMITED RESOURCES AVAILABLE TO USG REGRETTABLY OCCASIONALLY MAKE SUCH REPROGRAMMING DECISIONS NECESSARY; BUT THAT THIS ADMINISTRATIVE SOLUTION SHOULD NOT RPT NOT BE TAKEN TO REFLECT ANY DIMINUTION OF OUR INTEREST IN BEING RESPONSIVE TO MALAYSIA'S DEFENSE NEEDS.

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2. ALTHOUGH MFA REPS WERE DISAPPOINTED WITH THIS NEWS, THEY VOICED UNDERSTANDING OF THE EXPLANATION GIVEN. WHILE NOTING THE IMPORTANCE OF THE FMS PROGRAM IN THEIR GOVERNMENT'S EYES THEY ACKNOWLEDGED ADMINISTRATIVE DELAYS ENCOUNTERED WITHIN THE GOM BUREAUCRACY NOT ONLY RE MATTERS SUCH AS SIGNING THE FMS LOA BUT ALSO WITH REGARD TO UTILIZATION OF NON-DEFENSE RELATED CREDITS

FROM COUNTRIES SUCH AS JAPAN.

3. EMBOFF URGED EARLY ACTION BY THE GOM TO FINALIZE ITS LIST OF ITEMS TO BE PROCURED UNDER THE FY-78 AGREEMENT AND EXPRESSED HOPE THAT THE MALAYSIAN EMBASSY IN WASHINGTON WOULD BE IN TOUCH WITH THEIR USG CONTACTS IN ORDER TO CONSUMMATE THE FY-78 AGREEMENT AT AN EARLY DATE. YOOGALINGAM SIAD THAT ON THE BASIS OF HIGH LEVEL GOM INTEREST IN THE FMS PROGRAM THE MFA SECRETARY GENERAL HAD ALREADY BEEN IN TOUCH WITH THE MINISTRY OF DEFENSE TO EXPEDITE THIS PROCESS.

4. IN TANDEM WITH OUR APPROACH TO MFA ON THIS SUBJECT DAO IS SENDING A COPY OF OUR NOTE TO THE MINISTRY OF DEFENSE.

5. COMMENT. ALTHOUGH THE MFA REACTION TO THE REDUCTION IN THE FINANCING LEVEL FOR MALAYSIA WAS MUTED AND APPARENTLY SYMPATHETIC TO THE EXPLANATIONS CITED WE CANNOT PREDICT PRECISELY HOW THIS NEWS WILL BE RECEIVED AT THE MORE SENIOR LEVELS. THE TWO MID-LEVEL MFA REPRESENTATIVES WITH WHOM WE SPOKE ON THIS DID PROMISE, HOWEVER, TO CONVEY THE POINT THAT THIS REPROGRAMMING AS IT AFFECTS MALAYSIA SHOULD BE SEEN AS AN ADMINISTRATIVE AS OPPOSED TO A POLITICAL MOVE.
MILLER

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